

Message Text

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PAGE 01 STATE 080626

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ORIGIN TRSE-00

INFO OCT-01 NEA-10 ISO-00 ABF-01 L-03 OPR-02 A-01 RSC-01

/019 R

DRAFTED BY TREASURY:RTOMCHO:HME

APPROVED BY NEA:SSOBER

M/FRM/FM:RWHITENER

NEA/EX:TDAVIS

L/NEA:ATBROWN

TREASURY:SCOX(DRAFT)

TREASURY:MBRADFIELD(SUBS)

NEA/INS:LBLAINGEN

NEA/INS:JELEADER

----- 125935

O 192325Z APR 74

FM SECSTATE WASHDC

TO AMEMBASSY COLOMBO IMMEDIATE

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E.O. 11652: N/A

TAGS:AFIN, CE

SUBJECT: ACCOMMODATION EXCHANGE

REF: COLOMBO 954

1. WE HAVE TAKEN CAREFUL ACCOUNT MISSION VIEWS REFTEL.
ORIGINAL TREASURY DECISION IN 1968 TO AUTHORIZE
ACCOMMODATION EXCHANGE AT THE FEEC RATE WHEN SRI LANKA
WAS AN EXCESS CURRENCY COUNTRY WAS BASED ON THE CONDITION
THAT RATE WAS AVAILABLE TO EMPLOYEES ON THE COMMERCIAL
MARKET. THEREFORE, NOT PROVIDING EXCHANGE FACILITIES
AT THE EMBASSY AT THIS FAVORABLE RATE WOULD HAVE MEANT
THAT THE ACCOMMODATION FACILITIES WOULD HAVE GONE
VIRTUALLY UNUSED. UNDER THE CIRCUMSTANCES IT WAS
DECIDED THAT THE POSSIBLE DEVALUATION LOSS ON THE
BALANCES WOULD PROBABLY OUTWEIGH THE ANTICIPATED
EXCHANGE RATE LOSS WE WOULD SUFFER THROUGH PROVIDING
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PAGE 02 STATE 080626

ACCOMMODATION EXCHANGE AT THE FEEC RATE. PRESENT VALUE

CONSIDERATIONS WERE ALSO INCLUDED, SINCE IT WOULD BE MORE ADVANTAGEOUS TO UTILIZE THESE CURRENCIES EARLIER THAN NORMALLY ANTICIPATED. IT WAS BELIEVED THAT BALANCE OF PAYMENTS SAVINGS WOULD RESULT FROM THIS POLICY.

2. IT APPEARS NOW, HOWEVER, THAT EMPLOYEES CANNOT GET THE FEEC RATE ON THE COMMERCIAL MARKET, A SITUATION WHICH REMOVES A FUNDAMENTAL ARGUMENT THAT A PREFERENTIAL RATE WILL PRODUCE BALANCE OF PAYMENTS SAVINGS.

ADDITIONALLY THERE ARE PRESENTLY ONLY SMALL LOCAL CURRENCY BALANCES IN SRI LANKA OBVIATING THE NEED TO BE CONCERNED ABOUT DEVALUATION LOSSES.

3. TREASURY POLICY, PURSUANT TO LAW, HAS BEEN TO USE THE PREFERENTIAL RATES OF EXCHANGE ONLY WHEN SUCH RATES WOULD ACCOMPLISH BUDGETARY OR BALANCE OF PAYMENTS SAVINGS. AT THIS TIME, WE CANNOT SEE HOW THE CONTINUED USE OF A PREFERENTIAL RATE IN SRI LANKA ACCOMPLISHES EITHER OF THESE RESULTS.

4. ALSO, SUPPLY OF LOCAL CURRENCY AVAILABLE FOR USG EXPENDITURES IN SRI LANKA IS NOT THE ONLY FACTOR IN DETERMINING WHETHER OR NOT PREFERENTIAL RATE WILL BE OFFERED FOR ACCOMMODATION EXCHANGE. THEREFORE, EVEN GIVEN A PROMPT RESOLUTION OF THE MOV LOAN QUESTION RESULTING IN AN ADEQUATE SUPPLY OF LOCAL CURRENCY FOR ALL USG EXPENDITURES FOR THE FORESEEABLE FUTURE, TREASURY IN ADMINISTERING APPLICABLE LAW CANNOT AUTHORIZE THE PREFERENTIAL RATE FOR ACCOMMODATION EXCHANGE UNLESS EITHER BALANCE OF PAYMENTS OR BUDGETARY SAVINGS ARE DEMONSTRATED. IF THERE ARE COST OF LIVING OR HARDSHIP PROBLEMS AT THE POST THESE CAN BE MET THROUGH THE STANDARD STATE DEPARTMENT ALLOWANCE SYSTEM PROVIDED FOR THIS PURPOSE.

5. NONETHELESS, GIVEN EMBASSY CONCERNS REFTTEL, USE OF THE FEEC RATE FOR ACCOMMODATION EXCHANGE IS AUTHORIZED EFFECTIVE APRIL 22. HOWEVER, UNLESS THE EMBASSY CAN DEMONSTRATE THAT EITHER BALANCE OF LIMITED OFFICIAL USE

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PAGE 03 STATE 080626

PAYMENTS OR BUDGETARY SAVINGS RESULT FROM A CONTINUATION OF FEEC ACCOMMODATION EXCHANGE, WE PLAN TO SEND AN INSTRUCTION ON MAY 20 WHICH WILL REQUIRE REESTABLISHMENT OF PAYMENT OF ACCOMMODATION EXCHANGE AT OFFICIAL RATE RATHER THAN FEEC RATE. ALLOWANCES AND ACCOMMODATION EXCHANGE RATE APPROVED BY STATE 68154 AND 68513 MUST REMAIN IN EFFECT AND BE FULLY APPLIED OVER THE PERIOD APRIL 5 THROUGH APRIL 21. REVISION OF ALLOWANCES AS OF

APRIL 22 REFLECTING REESTABLISHMENT OF FEEC ACCOMMODATION
EXCHANGE RATE IS BEING FORWARDED BY SEPTTEL. EMBASSY
SHOULD TAKE STEPS TO ASSURE THAT ACCOMMODATION EXCHANGE
CONVERSIONS DO NOT EXCEED NORMAL AVERAGE MONTHLY
LEVELS.

6. WE WILL NEED EMBASSY COMMENTS BY MAY 10 AT LATEST.
RUSH

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